

**NORTHERN ILLINOIS GAS COMPANY
D/B/A NICOR GAS COMPANY
REBUTTAL TESTIMONY OF
ALBERT E. HARMS
ILLINOIS COMMERCE COMMISSION
DOCKET NOS. 00-0789 and 01-0046 CONSOLIDATED**

1 Q. Please state your name and business address.

2 A. Albert E. Harms, 1844 Ferry Road, Naperville, Illinois 60563-9600.

3 Q. Are you the same Albert E. Harms that previously testified in this case?

4 A. Yes.

5 Q. What is the purpose of your rebuttal testimony?

6 A. I will respond to the direct testimony presented by Cook County State's
7 Attorney's Office ("Cook County") witness Colton and witness Howard testifying
8 on behalf of Petitioner Quinn, as well as making some general comments about
9 the testimony submitted by other parties in this case. I will first direct my
10 comments to the budget plan proposals of Cook County and then the credit
11 reporting prohibition requested by Petitioner Quinn.

12 **Budget Payment Plan Proposal**

13 Q. After reviewing the direct testimony presented in this case, what general
14 comments do you have about budget payment plans?

15 A. I have the following three comments. First, I believe that United Cities witness
16 Long makes a very good point in stating that the real problem is the high cost of
17 natural gas during the past heating season and not the billing policies of the
18 utilities. Cook County witness Colton also recognizes this problem, at page 21,
19 lines 9 through 11, when he states that budget payment plans do not address the
20 underlying affordability of the bill or the mismatch between a customer's income

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NICOR Exhibit No. 6

Witness _____

Date 4-24-01 Reporter BAR

1 and his bills. This is significant, because the proposals made by Cook County to
2 extend levelized payments over 12 or 18 months do nothing to address the
3 problem of high gas prices. In essence, Cook County's proposal would allow
4 customers to avoid paying the true cost of gas by shifting their payments into the
5 indefinite future.

6 Second, I believe the testimony presented by the utilities clearly shows that they
7 have taken significant actions over the past several months to assist their
8 customers. As pointed out by several witnesses, the utilities' existing budget
9 payment plans, to a very great extent, already provide customer assistance
10 comparable to what is being proposed by Cook County. The only two areas of
11 significant disagreement seem to be allowing levelized payments to extend for
12 more than twelve months, and the amount of outreach that should be pursued in
13 contacting customers that may need help to pay their bills.

14 Third, utility testimony describes the various aspects of each company's budget
15 payment plan and shows that each company has unique features that have evolved
16 over time as they developed their budget payment plans to meet the needs of their
17 customers. Nicor Gas agrees with Staff and others that forcing a "one size fits
18 all" budget payment plan on gas utilities could impose significant costs on them
19 for no good reason. This is particularly true for combination utilities that would
20 be forced to have two separate programs. Customers of combination utilities may
21 be confused by bifurcated budget plan rules. Additionally, cost recovery of
22 implementing these programs is not addressed by Cook County.

1 Q. Does Cook County witness Colton's testimony recognize the problem of
2 extending levelized payments over 18 months rather than 12 months?

3 A. I believe it does. On page 7, lines 21 through 25, he calculates that the customer's
4 payments in year 2, would be \$140 less than the total annual payment in year 2, if
5 payment for 12 months of gas use was spread over 18 months. However, what he
6 doesn't say is that the customer would still owe \$420 at the end of year 2 which, if
7 gas costs did not change, would continue to be deferred into the indefinite future
8 under the scenario advocated by Cook County. This is the same result shown by
9 my example outlined on pages 5 and 6 of my direct testimony. In my example, I
10 show that the customer would indefinitely postpone six months of payments or
11 \$300. Mr. Colton argues that Cook County's proposed program is not an arrears
12 forgiveness proposal (page 23, line 23) but, in fact, either forgiveness would
13 occur or the customer will, at some point in the future, end up making an
14 additional large payment. In my opinion, either result would be contrary to the
15 public interest.

16 In addition, I find his advocacy of the 18 month payment proposal to be
17 inconsistent with his own research on consumers' payment habits, page 32, line
18 41 through page 33, line 6. He states that if a person skips a monthly rent or car
19 payment to pay a utility bill, the true effect of the action is to borrow against
20 future income. This same effect would be applicable to extending payments from
21 twelve months to eighteen months.

22 Q. Mr. Colton advocates that all customers should be allowed to enroll in the budget
23 program. Do you agree?

- 1 A. While I agree that the vast majority of customers should be allowed to enroll,
- 2 there are and should be some exceptions. Early in his testimony, at page 9, Mr.
- 3 Colton states that "good credit standing" should not be used as a criteria for
- 4 excluding customers from enrolling in a budget payment plan. As I explained in
- 5 my direct testimony, Nicor Gas does not allow a customer who is currently
- 6 disconnected or has already renegotiated a deferred payment plan arrangement to
- 7 enroll in its Budget Payment Plan. This is because these customers have already
- 8 shown a pattern of non-payment and, by definition, were disconnected prior to the
- 9 high gas costs experienced during the 2000-2001 heating season.
- 10 Q. Do you find any inconsistency in Mr. Colton's position on avoidance of the "good
- 11 credit standing" criteria and his allowance for terminating customers from a
- 12 budget payment plan?
- 13 A. Yes. On page 22 of Mr. Colton's direct testimony, he states that removal from the
- 14 budget billing program should occur only upon evidence of a pattern of missed
- 15 payments indicating that the customer is going to fall further and further behind
- 16 on the dollars owed. This is exactly the problem with customers that are not in
- 17 good credit standing with the Company. In my opinion, to allow these customers
- 18 to enroll in a program after they have already exhibited the specific behavior that
- 19 would allow for their termination from the program makes no sense at all,
- 20 particularly when the behavior was exhibited when gas prices were much lower.
- 21 Q. Cook County appears to propose that utilities should advertise customer
- 22 assistance programs more broadly. Please describe how the Company has
- 23 advertised assistance programs to its customers.

1 A. As explained earlier, the Company has advertised customer assistance programs
2 extensively. For example, the Company believes that Nicor Gas' *Sharing*
3 *Program*, administered through the Salvation Army, has been very effective in
4 reaching needy families, and it favors allowing customers to enroll in its Budget
5 Payment Plan through the Salvation Army's offices. In addition, the Company
6 has sent information on its *Sharing Program* to more than 4,500 churches,
7 numerous state and local governmental agencies, all state legislators' offices and
8 LIHEAP offices, and took steps to ensure that any LIHEAP applicant that did not
9 qualify for LIHEAP assistance was informed of the *Sharing Program*. Thus, the
10 Company, like other utilities, has achieved the objectives sought by Cook County
11 and will continue to do so.

12 Q. How has the Company solicited for its Budget Payment Plan?

13 A. Nicor Gas is using bill inserts, newspaper ads, billboards, and radio ads to contact
14 customers. The Company believes that these efforts have been and will continue
15 to be cost effective and that they will reach the vast majority of customers that
16 may wish to participate in the Budget Payment Plan.

17 Customer Credit Reporting

18 Q. Do you agree with Mr. Colton's statement at page 28 that nothing good can come
19 from utility credit reporting?

20 A. No. As I stated in my direct testimony, there are several reasons why credit
21 reporting actually helps customers. With nearly 90 percent of our customers
22 receiving a good credit report from the Company, these customers may be able to
23 obtain even better credit terms and conditions. For some of these customers, their

1 Nicor Gas credit record may be the only record a financial institute has to evaluate
2 their credit worthiness.

3 Q. Is credit reporting the true culprit that Mr. Colton needs to address?

4 A. No. Just as high gas prices are the true source of the problem faced by people in
5 paying their gas bills, the true problem Mr. Colton should address is the shortfall
6 in income level faced by some people, and not credit reporting by utilities.

7 Q. Do you find any inconsistencies in Mr. Colton's testimony with respect to credit
8 reporting?

9 A. Yes. While, Mr. Colton expresses concern that Nicor Gas' credit reporting could
10 hinder a customer's ability to obtain credit, at pages 32 and 33 of his testimony he
11 correctly states that extending more credit to a customer so that he can pay bills is
12 not the appropriate answer because it just adds to the customer's problems in
13 paying future bills. By depriving financial institutions of data from Nicor Gas,
14 some customers could get over-extended on credit, the very problem Mr. Colton
15 says should be avoided. If Mr. Colton is truly concerned about customers not
16 being over extended on credit, then he should advocate that Nicor Gas'
17 information be provided to credit bureaus so that a financial institution has
18 complete information. In this respect, his testimony supports the Company's
19 view that the problem isn't credit reporting, it is the affordability of a customer's
20 total monthly bills.

21 Q. Have you reviewed the payment history of witness Howard, testifying on behalf
22 of Petitioner Quinn?

23 A. Yes.

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1 Q. Do you agree with her statement that she was more that 30 days late no more than
2 three times in the past few years?

3 A.

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9 Q. Did Nicor Gas accurately report her credit history to the credit bureau?

10 A. Yes.

11 Q. What is Ms. Howard's current credit status?

12 A.

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14 Q. Witness Howard states that Nicor Gas overestimated her gas usage on estimated
15 bills and implies that this led to a credit on her bill for six months. Is this correct?

16 A.

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5 Q. Do you believe that the Nicor Gas credit report for Ms. Howard directly caused
6 her to be denied credit when she purchased furniture, or resulted in a higher
7 interest rate for the purchase of a computer?

8 A. Without knowing all of the specifics of her credit report or the criteria of the
9 financial institution offering the credit, no one can say.

10 Q. How did Nicor Gas notify customers of its plans to credit report?

11 A. For several months before and after the program was initiated in November, 1998,
12 the Nicor Gas Consumer News bill insert included an article discussing the new
13 policy. To reach customers more directly, the Company had messages printed on
14 the bill informing the customer of credit reporting. These messages also appeared
15 for several months before and after initiating the program. Finally, Nicor Gas
16 issued a press release on credit reporting.

17 As noted by Ms. Howard, Nicor Gas' bill does state that the Company does credit
18 reporting. This information is printed in the same print size and style as the other
19 items on the back of the bill.

20 Q. Does this conclude your rebuttal testimony?

21 A. Yes.